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REPORT OF THE INVESTIGATING COMMITTEE OF FIVE
To The
FRIENDS OF SOVIET RUSSIA

In response to your request to investigate the charges made against your organization the undersigned committee, appointed August 10, has examined every charge with the utmost care. We submit the following report, dealing fully and frankly with all of the charges, in the hope that the actual facts will be entirely clear to every person interested in American relief for the Russian people.

THE CHARGES

Charges of irregularity and extravagance in handling funds, and of the use of relief funds for communist propaganda were made publicly against the Friends of Soviet Russia in The Jewish Daily Forward, New York City, on July 26, August 1, August 4 and August 12. The important charges were made in the form of editorial articles. Others appeared as news items. They were followed by a repetition of essentially the same points in other papers. The standing of The Forward and its devotion to working-class interests gave them a weight too great to be ignored.

The lengthy statements of the charges were boiled down by our committee and submitted to the editor, Mr. Abraham Cahan, in the form we put them below. Mr. Cahan has politely declined to deal with the committee in any way, on the ground that while he does not doubt its integrity, it was appointed by the organization against which the charges are brought. The committee issued through the New York Call and The Forward a public invitation to any one to submit other charges, but none has been received. It is fair to assume, therefore, that the charges we deal with here include everything essential that can be alleged against the management of the Friends of Soviet Russia.

The committee has gone into even the most unimportant of the charges with great care because of the importance of Russian relief work, and the seriousness of the charge that money collected for famine relief has been diverted to political agitation. The committee has not been moved by any factional or political interest whatever. None of its members belongs to the Workers Party. Only one of its five members has been a member of the Socialist Party. One is a trade union official. The others are not identified with any political or labor group. The committee approached its examination without prejudice of any sort, and with the sole object of getting at the truth and stating it. What we state are facts, not our opinions.

The committee knows that its method of appointment and its work are opposed by those who made the charges against the Friends of Soviet Russia. The reason for that opposition is that the committee is appointed by the very body against whom the charges are made, and not by its critics. The members of the committee agree that it perhaps would have been better to permit a full investigation by a committee independently appointed, but on the other hand, we appreciate the reasons which prompted the Friends of Soviet Russia to get away from what they regarded as factional political conflict. The good faith of the organization is evident in the fact that practically all of the committee are opposed to the political practices of the Russian Soviet Government and to most of the communist tactics in the United States. Insofar as the charges involve the Friends of Soviet Russia in American communist politics the committee would be as vigorous in condemning the organization as those who brought the charges.

We secured these facts from an examination of the certified audits of the Friends of Soviet Russia, checked by an independent examination by Mr. Stuart Chase of the Labor Bureau, Inc., a certified public accountant. For facts not proven by the figures we corresponded directly with the persons or organizations involved. We have also examined the files of "Soviet Russia" and have statements from Dr. Jacob W. Hartmann, the Treasurer, on points not otherwise covered.

We give herewith each charge and the facts about it. The charges appear in three groups.

1. Relating to the use of funds for communist propaganda.
2. Extravagance.
3. Irregularities.

I. Charges relating to the Use of Funds for Communist Propaganda.

1. It is charged that the Friends of Soviet Russia are using funds collected for relief, for the maintenance of an official organ, "Soviet Russia", which is in fact a communist paper.

"Soviet Russia" has been published every two weeks since January 31, 1922 as the official organ of the Friends of Soviet Russia. Before that time the magazine was published independently. The Friends of Soviet Russia at first published its reports in bulletin form at considerable expense, and took over the magazine in the belief that an official organ, appearing regularly, would furnish a better means of reaching all contributors and others interested in this work, and at relatively less expense for the results achieved.

The total cost to the Friends of Soviet Russia for the eight months up to May 31, during which they published the magazine was \$7600 for fifteen issues, which makes the cost of each issue to the organization a little over \$500. Of the total expense of the magazine the organization bears less than half (40%). Subscriptions and dealers' sales make up the rest.

CONCLUSION. The committee finds that "Soviet Russia" is published openly as an official organ, and believes that an official organ of this character is a proper expense. The cost to the organization is moderate. The policy of the magazine is not communist in the sense that it promotes the communist movement in the United States or political propaganda here or abroad. It is of course friendly to the Soviet Government of Russia, as would be expected of a publication owned by an organization calling itself "The Friends of Soviet Russia". It is natural and proper that such an organization should state its friendship for and approval of the working-class government of Russia.

2. It is charged that the Friends of Soviet Russia virtually subsidized communist papers through advertising.

The Committee has been furnished with a list of all papers in which the organization has carried paid advertisements, together with the amounts and dates of payments. The total amount spent for advertising in periodicals up to June 30 is \$16,719.63, which seems to the committee a moderate amount as related to other expenditures. That covered a period of 11 months and averaged, therefore, \$1519.16 a month. It is obvious that that is not enough, even at best, to subsidize more than a few small papers. As a matter of fact it was distributed over 27 papers, of which 14 were published in English and 13 in foreign languages. Out of 27 papers in which the advertisements appeared 6 are liberal, religious or labor periodicals without political connections, 4 are socialist and 11 are communist or have communist tendencies. By that we do not necessarily mean that they are official organs of the Communist Party, but that their obvious political and economic bias is communist. The politics of 6 small foreign-language papers have not been ascertained by the committee.

Judging by the number of communist papers in this list it would appear that an undue proportion of the advertising had gone to them, but an examination of the cost of advertising in the various papers shows that they received less than \$5,000 of the total of almost \$17,000 spent in advertising. The largest amounts went to the non-political liberal, labor and religious periodicals printed in English. The largest amount paid to any one of the communist papers was \$1,255.90 paid to a daily, which is of course a small amount for advertising in a daily paper.

CONCLUSION. It seems to the committee natural that the Friends of Soviet Russia should have distributed its advertising as it has, in view of the people whom it is endeavoring to reach with its appeal for funds. The organization considered that the liberals and the radical working-class groups were those most likely to help, and placed their advertising accordingly. The committee does not know what discriminations may have been made among the foreign-language papers, but they are unimportant. It is perfectly clear that no communist paper was subsidized by advertising and that the communist press as a whole received but a small and proportionate share of the total amount spent in advertising.

3. It is charged that the agents of the Friends of Soviet Russia engaged in communist or Workers' Party activities

while on speaking or organizing trips paid for in the interests of famine relief.

The committee has secured a complete list of the organizers for the Friends of Soviet Russia. It comprises forty-one names. Most of the persons on the list are members of the Workers' Party or are known as sympathizers. This, by the way, is also true of the executive and advisory committees of the Friends of Soviet Russia. The organization is frank to admit that it is pro-soviet and that its activities are carried on by those who politically share in general the views of the present government in Russia. This fact in itself would not be cause for any charge against the organization. Such persons could properly collect funds for famine relief without any political significance whatever. What is charged is that they used their connections with the Workers' Party to promote the interests of that party, and presumably also the underground propaganda. Our inquiry of Dr. Hartmann on this point brings the ~~xxx~~ reply that any organizers were at liberty to engage in political work in their "free time," after discharging all their functions as employees. Dr. Hartmann maintains that the organization has no right to interfere with their personal liberty in that respect if they render full service to the organization in the work for which they are paid. Workers who were not successful in raising funds for famine relief were promptly discharged.

There is no evidence offered to show that any one of the organizers of the Friends of Soviet Russia did not faithfully discharge his duties in collecting funds for famine relief and in turning in all such funds to the organization. There is no evidence that any one of them diverted such funds collected for famine relief to political purposes. It is clear, as Dr. Hartmann suggests, that organizers for the Friends of Soviet Russia did engage in Workers' Party activities in what he calls their "free time". Being partisans, there necessarily has been this confusion between a disinterested general work for relief abroad and the promotion of a political program in this country. Indeed, Dr. Hartmann states that "if it had not been for the active cooperation of the members of the Workers' Party in the collection of funds for the Friends of Soviet Russia it is very probable that the sum collected would have aggregated far less than the present figure - about \$750,000.

The confusion which has resulted from appointing leaders in the Workers' Party as organizers for the Friends of Soviet Russia, and from allowing organizers to engage in political activities, seems to the committee chiefly responsible for the charges. We do not see how similar difficulties can be avoided in the future as long as this condition obtains. We suggest that the Friends of Soviet Russia in the future prohibit its representatives from engaging in political activities while employed by the organization, and that it make a public declaration of such a change in policy. This will interfere with the personal freedom of some representatives, but it is the only remedy for the unfortunate confusion of political and relief functions.

Under this head a specific charge was made in an article in The Forward that certain agents of the Friends of Soviet Russia in Canada worked among the coal miners in the interest of the Workers' Party and against the One Big Union. The committee examined the correspondence concerning this and other matters which passed between the Toronto office of the Friends of Soviet Russia and the Winnipeg Central Labor Council of the One Big Union, and has received a detailed statement from the secretary of that Council. The agent charged with engaging in Workers' Party activities has not denied them and in view of the policy of the Friends of Soviet Russia they may well be true. The substance of the charges in Canada, however, concerns local difficulties between Russian famine relief bodies in Winnipeg. They are based upon the political activities of representatives of the Friends of Soviet Russia in their "free time", and apparently undertaken solely on their personal responsibility.

CONCLUSION. The above constitute the specific charges against the Friends of Soviet Russia on the ~~xxx~~ ground of a diversion of money and effort to communist propaganda. The facts about each have been stated. In general the committee finds that the charges are not borne out by the facts, although it is perfectly clear to any one who looks at a letterhead of the Friends of Soviet Russia that it is pro-soviet and controlled by members of the Workers' Party. But it must be remembered that the organization is committed by its very name to the Soviet regime in Russia. The nature of the Friends of Soviet Russia has been so clear all along that any one who objected to giving to an organization friendly to the Russian Government could easily have gotten the facts. Those who gave should not now criticize its motives. Its work has

been conducted with real and single-minded devotion to the cause of famine relief.

II.

CHARGES OF EXTRAVAGANCE

1. It is charged that the reports published by the Friends of Soviet Russia do not show the accounts of the two hundred or more branches, while giving the impression that the National Office expenses include the expenses of branches as well.

The financial reports published in "Soviet Russia" clearly state that they are for the national organization. The only expenses of the branches carried by the National Office are those concerning publicity. The committee does not find that the reports give the impression that the expenses of the branches are included. Each branch, as is customary with national organizations, keeps its own accounts, forwarding to the National Office the funds collected, less expenses. With more than two hundred local branches, most of them conducted by volunteers, it is inevitable that they should be managed according to varying standards - some well and some badly. No national organization can control the conduct of so many branches. There may have been irregularities. There may even have been in some instances a diversion of funds for other than famine relief. We find no charges or evidence to serve as a basis for investigating any particular branches. The National Office has made every possible effort to secure a businesslike handling of money by local branches and has secured commendable results, particularly when it is considered that many of the branches are in the hands of untrained workers speaking various languages.

2. Attention is called to very large expenditures for the tenth month of the published reports, dated May 31, 1922, as compared with the preceding nine months.

The charge is made that the monthly expenses increased from \$8500 to \$26,000 for May. As a matter of fact the accounts do show that there was an increase in ordinary expenditures during the month, due to advertising in more costly papers, to the inclusion of some back expenses and to an increase in office wages and the employment of addressers for a drive to purchase tools and machinery for Russia. But the chief reason for the heavy expenses in May was due to an item of \$9500 for "federated, international and Russian conference expenses". This is a large expenditure and as described under that heading carries no specific explanation. The organization was not prepared to explain it at the time because \$7500 of it was a fee to Frank P. Walsh for a confidential trip to Russia in the interest of the future work of the organization. That fee, under the circumstances, was very moderate. The other \$2000 was for participation in relief conferences abroad.

The criticism of the Friends of Soviet Russia for the financial statement of this month was perhaps not unnatural in view of the exceptional circumstances which gave rise to them. They have since been fully explained in public statements and to this committee.

3. Attention is called to an abnormal increase in telephone expenses, to a discrepancy in expenditures for lawyer and bail and in two items dealing with "information service" and "envelopes and wrappers."

The increase in telephone expenses was due to the installation of a switchboard. The discrepancies in the expenditures for lawyer and bail is due to a bookkeeping procedure which shows expenditure for bail through a lawyer, the bail being later refunded. The figures were perhaps not clear to any one who did not understand the transaction. The discrepancy in the "information service" and the "envelopes and wrappers" accounts was due entirely to a transposition of figures through a typographical error which was perfectly clear on comparing the April and May reports.

CONCLUSION. The charges of extravagance, in so far as they are specifically made, are not borne out by an examination of the facts. The committee went further, however, than the charges, in order to find out how much it was

costing the Friends of Soviet Russia to raise their famine funds. We were anxious to find out how much of every dollar contributed in the United States got to the famine sufferers in Russia. We not only had an analysis made of the books of the organization but compared the figures with other Russian relief organizations. It appears from this examination that an average of about 20% to 25% on every dollar has gone to the overhead expenses of raising the money and shipping the food. This covers the whole period. At times the expenses ran a little over 25% on the dollar. For a new organization undertaking an emergency campaign this percentage is not high, and it is not high compared with other Russian relief organizations. If the contributions of clothing were taken into consideration the percentage would be considerably less.

III. IRREGULARITIES

1. It is charged that no explanation is given as to the personnel of The American Federated Russian Famine Relief Committee to whom money was given for the purchase of foodstuffs, nor was any explanation given as to the methods of this committee in making its purchases. It is also charged that only a small part of the money sent to Russia is definitely reported.

The American Federated Russian Famine Relief Committee is a purchasing agency which was designed particularly to meet the criticism that the Friends of Soviet Russia was not representative enough of all the working-class interests in the United States. Its controlling committee was therefore chosen from quite different groups. The committee has, however, not functioned actively and its chief use has been to furnish an office as a purchasing agency for goods for Russia. A separate purchasing agency was necessary in any case. The original plan of the committee to have a more representative committee did not work out because of lack of interest on the part of groups outside of the Friends of Soviet Russia. The personnel of the committee appears on the letterheads which were available at any time to any inquirer.

More important is the financial report of the Federated Committee which has been set forth in a fully audited statement, reporting all moneys received and all expenditures made for food and clothing. Mr. Stuart Chase, who examined the accounts for the committee, says: "The final disposition of relief moneys seems to be adequately set forth."

2. It is stated that the National Information Bureau of 1 Madison Avenue, New York City, an organization which endorses organizations making public appeals, did not endorse the business practices of the Friends of Soviet Russia, and that the Friends of Soviet Russia alone among Russian relief organizations did not participate in their investigation of all the Russian relief work by a committee sent to Russia.

The National Information Bureau writes us that they did not endorse the Friends of Soviet Russia for two reasons: first, because at the time the request came for endorsement no audited statement of the Federated Committee mentioned above was submitted; secondly, because of the political nature of the appeal made by the Friends of Soviet Russia, - referring of course to their partisanship of the Soviet Government.

The Bureau states that the Friends of Soviet Russia were given an opportunity to join in the investigation of relief work, but declined to do so on the ground that they would not participate in the efforts of an organization which refused to endorse them. These facts speak for themselves.

3. It is charged that Dr. Jacob W. Hartmann, Treasurer of the Friends of Soviet Russia, made misstatements as to the manner of transmission of relief funds to Berlin.

The specific charge is that Dr. Hartmann stated to a Forward reporter that the organization had stopped sending money to Berlin, and that he thereafter reported upward of \$50,000 as "in process of transmission to Berlin". Both statements are correct. The organization had stopped sending the money, but \$50,000 was on the way at the time the statement was made. An examination of the accounts fails to show any misstatement. The published financial state-

ment, compared with the charges made, shows that there was no discrepancy or mistake made, and that any misunderstanding was due to a failure to read the transactions intelligently. Mr. Stuart Chase reports to the committee that "statements as to the transmission of funds to Berlin are clear and in accord with the books".

4. It is charged that agents of the Friends of Soviet Russia in Canada in some instances collected funds without giving receipts.

We have seen the correspondence and statements on which these statements in a Canadian newspaper were based, and while they are specific and evidence to prove them is lacking. The amounts involved were small.

5. It is stated that the name of Mr. Morris Berman was used as a member of the Executive Committee of the Friends of Soviet Russia without his permission.

The fact is that Mr. Berman's name was used not on the committee of the Friends of Soviet Russia, but on the Federated Committee as a representative of The New York Call. Mr. Berman denies that he gave permission to have his name used and the organization is unable to produce any evidence that he did. This is a kind of carelessness all too common in organization work. It is obviously not due to anything more than carelessness.

6. It is charged that assets of \$4500 invested in furniture and books for sale appear without corresponding expenditures.

This charge is due to a misunderstanding of bookkeeping. Stuart Chase comments as follows: "Whoever made it is utterly unacquainted with the most elementary principles of bookkeeping". It is obviously not worth attention in detail.

7. Although no specific charge was made, some question has been raised as to the manner in which the Friends of Soviet Russia has banked its funds.

According to Mr. Stuart Chase some of the methods followed in the early months of the organization were careless and complicated, but there is no evidence of the mishandling of any funds. No question has been raised as to the diversion of any funds to other than relief purposes through any banking methods. It is merely a question of system.

CONCLUSION. The charges of irregularities are, as the facts above show, due to misunderstandings of the complicated business of the organization and have no basis in fact. The committee is convinced that the business practices of the organization are considerably above the average, and that not as much ground for criticism can be found as with the average organization making public appeals for funds. Mr. Chase, in commenting on the methods of auditing and reporting, says, "I would like to state that Mr. Woods' published reports dealing with the finances of the Friends of Soviet Russia have set a new high level in the technique of report writing. I know of no other charitable or relief organization the country over which is furnished with statements of a like character and excellence."

The committee was impressed with the soundness of Mr. Chase's observation after going over the reports published in "Soviet Russia", and having in mind the reports of most such organizations.

GENERAL CONCLUSION

The committee regards the charges against the Friends of Soviet Russia as the product of the unfortunate conflicts in radical working-class movements throughout the world. When men are moved by factional interests it is difficult for them to see clearly even the good work of their opponents. Their feeling is frequently more bitter and their prejudices more profound than against their common enemies. While none of the members of the committee has any factional interest in these conflicts, they believe that such conflicts have played a large part in promoting these charges against the Friends of Soviet Russia, which is naturally open to attack on political ~~grounds~~ grounds

because of its partisanship for the Soviet Government and its identification with the Workers' Party, unofficial and indefinite, to be sure, but none the less real. We recommend that the organization minimize the difficulties of that connection by prohibiting its agents from engaging in political activities.

It is clear that the organization has conducted an effective campaign for relief funds, raising over three quarters of a million dollars at a reasonable cost. It has raised it in quarters where no other agency would be likely to meet with success. It has harnessed the enthusiasm and zeal of hundreds of workers determined to relieve the terrible conditions of distress among their comrades in Russia. We have no evidence of the diversion of funds into other channels. There was no showing of extravagance or of irregularities which offer any ~~any~~ ground for real criticism. We attach a summary statement of the important figures, showing the money raised and spent.

The committee regrets the length of this report, but regards the importance of dealing fully with the charges as too great to omit any essential fact, in the belief that those who really care to get the truth will welcome it.

We can only hope that this statement, made impartially by men who have no interest whatever in the ~~firm~~ fortunes of the organization nor of those who have made charges against it, may result in clearing the atmosphere for continued service to a people not yet recovered from the terrible scourge of famine and the chaos of war.

Mr. Walter Nelles, who was appointed a member of this investigating committee, does not sign the report because he feels that it would be improper to subscribe to the conclusions, in view of the fact that one of his law partners has recently been employed as counsel by the Friends of Soviet Russia. He has examined the material and subscribes to all of the findings of fact.

(signed) - Robert Morss Lovett
- Timothy Healy
- Norman M. Thomas
- Roger N. Baldwin, Chairman